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Viewing cable 05SOFIA187, BULGARIAN DEFENSE MINISTER SIGNS SUSPECT

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- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
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Reference ID	Created	Released	Classification	Origin
05SOFIA187	2005-01-31 15:53	2011-08-30 01:44	CONFIDENTIAL	Embassy Sofia

Appears in these articles:

<http://www.bivol.bg/wlarmy.html>
<http://balkans.blog.lemonde.fr/2011/05/05/et-la-bulgarie-renonce-aux-corvettes-francaises/>
http://www.capital.bg/politika_i_ikonomika/bulgaria/2011/05/05/1085393_kak_se_pileiat_pari_v_otbranata/

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SOFIA 000187

SIPDIS

E.O. 12958: DECL: 01/31/15

TAGS: [MASS](#) [PREL](#) [BEXP](#) [ETRD](#) [KCOR](#) [BU](#) [NATO](#)

SUBJECT: BULGARIAN DEFENSE MINISTER SIGNS SUSPECT
EUROCOPTER DEAL DESPITE EMBASSY PROTEST

REF: 04 SOFIA 2295

(U) CLASSIFIED BY AMBASSADOR JAMES PARDEW, FOR REASONS
1.4 (B) AND (D).

1. (C) SUMMARY. Despite a letter from the Ambassador questioning the adequacy of the process used to select the winning bidder, Defense Minister Svinarov signed January 28 a deal worth up to USD 400 million for the purchase of 18 Cougar and Panther helicopters from EADS. Sikorsky Helicopter was the runner-up in the competition. We recommend that SecDef Rumsfeld raise the lack of transparency in defense procurement when he meets Svinarov in Washington later this week. End summary.

2.(C) Svinarov and EADS Vice President Luc Berrier signed the contract despite assurances to us by the Ministry of Finance that funding had not been authorized. The Eurocopter deal has been shadowed by allegations of a predetermined outcome almost since its inception. The MOD rushed the entire tender through in just two months (reftel), leaving Sikorsky to play catch-up in a competition that many believe was decided in advance. The agreement with EADS brings to three the number of multi-million dollar procurement contracts completed in a hurried and non-transparent manner over the last year, the other two being for Pilatus aircraft and Daimler-Chrysler vehicles. The next major procurement decision will likely be for new transport aircraft. In this tender, the Spanish firm CASA is competing against a consortium of Lockheed Martin and the Italian firm

Alenia. Lockheed and Alenia co-produce the C-27. The MOD is also negotiating to purchase four corvettes for the Bulgarian navy.

13. (C) Bulgaria's Public Procurement Act allows the MOD to award no-bid contracts for orders bearing on national security. The law is an open invitation to corruption, and is widely cited as a cover for kickback schemes and sweetheart deals. In cases where tenders are conducted, such as the helicopter deal cited above, they are often pro forma exercises designed only to give the impression of fair competition.

14. (C) In a letter to Svinarov on December 14 (text below), the Embassy protested the manner in which the helicopter tender was handled. We ask SecDef Rumsfeld to make a similar point regarding transparency in procurement when he meets Svinarov later this week. Suggested talking points follow:

-- We are concerned by the lack of transparency in defense procurement.

-- Your recent decision to purchase the Eurocopter was the result of a truncated and opaque tender process.

-- Tenders such as this one can only tarnish the reputation of the Ministry of Defense and lead to speculation that factors other than price and capability led to the outcome.

-- It is important that your military procurement process be subject to internationally recognized standards of openness and transparency.

15. (U) Following is the text of the Ambassador's December 14 letter to MOD Svinarov:

Dear Mr. Minister:

The modernization of the Bulgarian Armed Forces is a vital component of Bulgaria's ability to become a security contributor within NATO. The purchase of new equipment for the Bulgarian military plays an important part in that modernization process.

We are seriously concerned that the present mechanisms for tenders to re-equip the Bulgarian Armed Forces do not meet accepted international standards of open and fair competition. The process to choose major equipment, including the recent tender for new helicopters, is unrealistically hasty and lacks the necessary transparency to verify fairness.

Normally, a procurement process on the scale of the recent helicopter purchase is an 18-24 month process;

however in this case, the entire process - from tender offer to conclusion - lasted only two months. Below is a timeline summary of this hasty tender process:

18 August 2004 - First contact between Sikorsky and Government of Bulgaria officials
21 September - Letter of Interest received by Sikorsky
27 September - Official Sikorsky Presentation to the Ministry of Defense
13 October - Document announcing Tender received
2-10 November - Technical Negotiations
11-12 November - Price Negotiations
16 November - Committee recommendation to the Minister of Defense
24 November 2004 - Minister Svinarov publicly announces the conclusion of the deal

When technical negotiations began on November 2, Sikorsky was required to translate 712 pages of technical documentation within a 10 day-period, even though the other company involved in the bid obviously had advance notice of this procurement (Their pricing volume was as large as the entire technical documentation package from Sikorsky).

During this period, the Ministry of Defense sent no personnel to inspect or fly Sikorsky's aircraft despite numerous offers on behalf of the company. We find it highly unusual that a major defense equipment expenditure of up to \$500 million was based on two-week technical and price negotiations without even a physical evaluation of Sikorsky's aircraft.

While we are always happy to see American products win a tender; however, my interest in this case is less on who won the tender than on how it was conducted. Such tenders should be thorough, open, fair and transparent.

There are internationally recognized procedures for major procurements that ensure transparency and guarantee Bulgaria receives the best value for its procurement money. This seems especially important as Bulgaria begins its military modernization process with limited resources.

A major procurement handled in such a rushed manner inevitably leads to questions about the legitimacy of the process and damages Bulgaria's reputation in the American business community. We urge you to carefully review your procurement policies as you move forward with your modernization plans.

Please accept, Mr. Minister, the assurances of my highest consideration.

Sincerely,

James W. Pardew
Ambassador